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[G.O.P. Blueprint Would Remake Health Policy](#)

By ROBERT PEAR

WASHINGTON — The proposal to be unveiled by House Republicans on Tuesday to rein in the long-term costs of Medicaid and Medicare represents a fundamental rethinking of how the two programs work, an ambitious effort by conservatives to address the nation's fiscal challenges, and a huge political risk.

House Republican aides said the budget blueprint to be issued by the chairman of the Budget Committee, Representative Paul D. Ryan of Wisconsin, would slice more than \$5 trillion from projected federal spending in the coming decade. Health care accounts for much of the savings.

But while saving large sums for the federal government, the proposals on Medicaid and Medicare could shift some costs to beneficiaries and to the states.

Under the proposal, Medicaid would be transformed into a block grant, with a lump sum of federal money given to the states to care for low-income people. States would be given more discretion over use of the money than they have under the current federal-state partnership.

For future Medicare beneficiaries — people now under 55 — Mr. Ryan's proposal calls for the federal government to contribute a specified amount of money toward the premium for private health coverage. Under the traditional Medicare program, the government reimburses doctors and hospitals directly.

Although many House Republicans see a need to revamp Social Security, too, they are not

expected to press this week for comprehensive or specific changes in that program.

Democrats signaled that they would fight the health proposals, and the clash could well become a defining issue for both parties in the 2012 elections.

Republicans say the health care proposals would help the federal government predict and control its costs under Medicaid and Medicare, which insure more than 100 million people and account for more than one-fifth of the federal budget.

But if, as many economists predict, health costs continue to rise at a rapid clip, beneficiaries of these programs would be at risk for more of the costs.

Mr. Ryan said his Medicare proposal was similar to one he advanced in November with Alice M. Rivlin, a budget director in the Clinton administration. Analyzing that plan, the Congressional Budget Office said, "Federal payments would tend to grow more slowly under the proposal than projected costs per enrollee under current law." As a result, the budget office said, "enrollees' spending for health care — and the uncertainty surrounding that spending — would increase."

Medicaid and Medicare are now open-ended entitlements. Anyone who meets the eligibility criteria is entitled to benefits defined in detail by federal law. The federal government and the states must pay the additional cost if more people become eligible for Medicaid, as happened in the recent recession.

Likewise, Medicare bears the cost if doctors perform more numerous, more complex and expensive tests and procedures. Some of those additional costs are passed on to beneficiaries in the form of higher premiums.

Republicans say they are taking the initiative on Medicaid and Medicare because President Obama has done nothing to put the programs on a solid fiscal footing. In his 2012 budget, Mr. Obama did not propose significant savings in Medicaid or Medicare, even though he and many fiscal experts say the programs are unsustainable in their current form.

Mr. Ryan and fellow House Republicans are wading into tricky waters, where many other politicians have run aground.

But with the nation's fiscal problems looming larger, Republicans say the politics of the issue have shifted. They expect to receive credit from the public for trying to hold down the deficit and the debt.

"We have a moral obligation to the country to do this," Mr. Ryan said in an interview last week.

Representative Jan Schakowsky, a Democrat and a former executive director of the Illinois State Council of Senior Citizens, said she was incensed by such claims. "Mr. Ryan and the Republicans are declaring war on entitlements — and war on the elderly and the poor," Ms. Schakowsky said. "Beneficiaries will end up paying more."

About half of Medicaid recipients are children. Nearly two-thirds of the money spent on Medicaid benefits is for low-income people who are 65 and older or disabled.

The government shutdown in 1995-96 stemmed, in part, from a conflict between President Bill Clinton and Congressional Republicans over what he described as "devastating cuts" in Medicaid and Medicare.

In his veto message in December 1995, Mr. Clinton listed 82 "objectionable provisions" of the Republicans' budget bill. He complained that it "converts Medicaid into a block grant with drastically less spending."

The Congressional Budget Office recently estimated that a Medicaid block grant, of the type proposed by Mr. Ryan and Ms. Rivlin, could save \$180 billion over 10 years. House Republicans could save an additional \$434 billion by eliminating the expansion in Medicaid eligibility scheduled to take place in 2014 under the new health care law.

Mr. Ryan said he was not cutting Medicaid and Medicare, but rather slowing their growth rate.

In addition, he insists he is not trying to convert Medicare to a voucher program because the money would be paid to insurance companies and health plans, not directly to beneficiaries. If health costs for a group of patients exceeded the federal payment in a given year, the insurer would have to absorb the cost.

Finally, Mr. Ryan says his proposal is equitable because Medicare would pay less on behalf of higher-income beneficiaries, and they would pay more of the cost of their health coverage.

But high-income Medicare beneficiaries already pay higher premiums, with an annual surcharge of more than \$3,800 in premiums for some of the most affluent ones this year.

What Mr. Ryan and his committee plan to do this week is to approve a budget resolution, setting goals for spending and revenues. If approved by the House and the Senate in the same form, such a resolution would bind Congress in its deliberations, but it would not be presented to the president and would not become law.

There is almost no chance the Democratic-controlled Senate would adopt a resolution along the lines Mr. Ryan is proposing, although his counterpart in the Senate, Kent Conrad, Democrat of North Dakota, the chairman of the Senate Budget Committee, is working on a bipartisan plan to address entitlement spending as part of a broader package to reduce the budget deficit.

The budget resolution typically assumes changes in federal programs like Medicaid and Medicare. But those assumptions do not bind the House committees with power over those programs, which could choose to save the same amounts in other ways.